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**FISCAL IMPACT STATEMENT**

**LS 6323**

**BILL NUMBER:** HB 1291

**NOTE PREPARED:** Dec 16, 2008

**BILL AMENDED:**

**SUBJECT:** Elimination of Textbook Rental Program.

**FIRST AUTHOR:** Rep. Oxley

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Elimination of Textbook Rental Program-* The bill abolishes the textbook rental program for public school students.

*Definition of Textbook-* The bill expands the definition of "textbook" to include materials used in student instruction.

*Textbook Fund-* The bill requires school corporations to establish and appropriate money from a textbook fund to purchase all needed textbooks for loan without charge to corporation students.

*Textbook Grant-* The bill provides an annual state textbook grant equal to \$95 multiplied by the average daily membership of a school corporation. The bill requires the deposit of grant funds in the textbook fund.

**Effective Date:** July 1, 2009.

**Summary of NET State Impact:** The following table illustrates the potential net cost to the state.

<b>FY</b>	<b>Textbook Grants</b>	<b>Elimination of State Appropriation for Textbooks*</b>	<b>Nonpublic Free Textbooks for Free and Reduced Lunch**</b>	<b>Net Cost***</b>
2010	\$96.4 M	(\$39 M)	\$0.44 M	<b>\$57.8 M</b>
2011	\$97.0 M	(\$39 M)	\$0.46 M	<b>\$58.5 M</b>
2012	\$97.7 M	(\$39 M)	\$0.48 M	<b>\$59.2 M</b>
<p>*Assuming the textbook appropriation level of \$39 M for FY 2009 were to continue beyond the biennium, as if no funding changes occurred as proposed by the bill.</p> <p>**Would still be required under bill.</p> <p>***As described below in the Temporary Assistance for Needy Families (TANF) section, the net cost to the state shown in the table could increase by up to \$31 M per fiscal year if additional expenditures in another program are required. However, reclassification of existing, but unidentified, expenditures could mitigate the net increase.</p>				

*Existing Nonpublic School Textbook Reimbursement-* Under the bill, students attending nonpublic schools in the free or reduced lunch program would still receive textbook reimbursement. However, nonpublic schools would not be eligible for the ADM grant proposed by the bill. There were 5,130 students attending nonpublic schools that received \$421,457 in textbook reimbursement under the current program during school year 2007-2008. (See: *Current Grant* under *Explanation of State Expenditures*.)

**Explanation of State Expenditures: Public School Textbook Grant-** School corporations would be eligible for a state grant per ADM of \$95. The projected costs of these grants are approximately \$96.4 M for FY 2010, \$97.0 M in FY 2011, and \$97.7 M in FY 2012.

*Current Grant-* The General Assembly appropriated \$39 M during FY 2009 to cover textbook reimbursement to public and nonpublic schools for those students on the free and reduced lunch program.

*Background - Elimination of Textbook Rental Program-* The School Textbook Reimbursement Contingency Fund provides school corporations and accredited nonpublic schools reimbursement from the Department of Education for the costs incurred during a school year in providing classroom instruction to children who meet the federal free and reduced lunch standards. Prior to school year 1999-2000, the program only provided assistance on behalf of students meeting free lunch standards.

During the 2007-2008 school year, 409,355 public school students participated in the textbook reimbursement program. School corporations were completely reimbursed of the qualifying students' textbook costs and refunded \$25,038 during school year 2007-2008.

The school corporation or accredited nonpublic school must file a claim with the Department of Education before November 1 of the current school year. The claim must include the number of eligible students and the associated costs for textbooks, consumable textbooks, and workbooks. The claim must include copies of all filed and approved applications for free and reduced lunch recipients. The approved applications must include data required by the Family and Social Services Administration (FSSA) with regard to Temporary Assistance to Needy Families (TANF) to be considered by the Department of Education for reimbursement under this program.

Reimbursement is distributed each school year. Public and accredited nonpublic schools may apply for supplemental reimbursement after April 1 but before May 1 of the school year to account for children enrolled after the original reimbursement was applied for. If the amount of reimbursement requested exceeds the amount appropriated, the Department of Education is required to proportionately reduce the amount of reimbursement to each school corporation and nonpublic school.

**Potential Impact on the TANF Block Grant Program-** The elimination of the textbook rental program may impact the TANF program. States are required to meet a specified maintenance of effort (MOE) level in order to qualify for the federal TANF block grant of about \$206 M annually. Indiana's annual TANF MOE obligation is in the \$121 M range. FSSA meets this obligation by expending state funds appropriated for this purpose and by claiming expenditures from other state agencies that meet the purposes and requirements of eligible TANF MOE expenditures.

FSSA has been able to include as MOE about \$31.5 M of the \$39 M state expenditure for textbooks because it is an expenditure targeted at the low-income population. About \$7.5 M cannot be used as part of MOE for textbooks, because MOE expenditures can only be counted in excess of this 1995 level of expenditures. Therefore, because the proposed textbook grant program is targeted at the general student population, the state expenditure for those students that are not low-income will not qualify as an MOE expenditure, thus requiring either additional expenditures in another program or reclassification of existing, but unidentified, expenditures as MOE. (The reclassified funds, if qualifying, must also demonstrate an increase in expenditures from the TANF base year. Only the increase in funds can be included as meeting the TANF MOE requirement. For this reason, FSSA cannot count the entire \$39 M textbook expenditure described above as MOE.)

Actual aggregate MOE expenditures claimed totaled \$154.4 M in federal fiscal year (FFY) 2007. FFY 2008 amounts have not yet been finalized. Projected expenditures in FFY 2009 are \$133 M.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Textbook Grant-* School corporations currently pay for textbooks using textbook rental fees, proceeds from the sale of used textbooks, state reimbursement of textbooks for children who qualify for the federal Free and Reduced Lunch Program, and financial assistance from township trustees (Poor Relief). As proposed by this bill, school corporations would be eligible to use the state grant of \$95 per ADM instead of the above sources. In FY 2008, schools collected revenue of \$63.1 M in textbook rental fees from students.

**State Agencies Affected:** Department of Education; Department of Local Government Finance; Treasurer of State.

**Local Agencies Affected:** School corporations.

**Information Sources:** Debbie Hinline, Department of Education; Department of Education ORACLE Data Tables; Jessaca Turner Stults, FSSA, 317-234-3884.

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